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C O N F I D E N T I A L SECTION 01 OF 03 AMMAN 009014

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SUBJECT: MINIMAL ECONOMIC IMPACT OF TERRORIST BOMBINGS, SO FAR

Classified By: AMBASSADOR DAVID HALE. REASON: 1.4 (E) & (G)

1. (U) SUMMARY: There has been little negative impact to date on Jordan's economy as a result of the terrorist bombings of three hotels in Amman on November 9, according to the general consensus among leading private sector and government contacts. While tourism-related businesses are suffering to a small degree, most are expected to rebound by the end of the month. The banking and finance sectors have fared well, with the Amman Stock Exchange remaining stable and banks reporting no significant withdrawals of deposits. Companies that produce manufactured goods report no impact on sales. Investment in the short-term has not been affected as investment leaders have, like most Jordanians, come together publicly and announced the desire to continue with investment plans in real estate and business development.

2. (C) COMMENT: Minimal economic fallout from the bombings can partially be credited to a stable and liquidity-rich capital market. It may also result from the influence indirect government funds like the Social Security Corporation and direct government funds like the Jordan Investment Board wield in the financial markets, and the relatively permanent investments of regional Arab institutional investors. While the positive short-term response is welcome, the outlook for long-term future investment cannot yet be measured. Given the small size of this economy, most contacts agree that a second major attack could have more lasting effects. END COMMENT AND SUMMARY.

#### Tourism and Related Sectors

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3. (U) In the immediate aftermath of the bombings, most hotels in Amman reported a significant drop from the full-occupancy at which they were operating. The Radisson SAS, where a bomber destroyed a banquet hall and killed over 20, reported a drop to 26%; the Hyatt re-opened November 17 with 50% occupancy. The Radisson General Manager projected over 50% occupancy by the end of the month, and expected to reach full-occupancy by the end of the year. Sabih Al-Masry, the Chairman of Astra - the large Jordanian company that locally owns the Grand Hyatt - told EconCouns November 16 he expects his hotel to recover fully, and plans to continue to develop multi-million dollar resort properties at the Dead Sea and Aqaba. Hotels at the Dead Sea, Petra, and Aqaba report no fall in occupancy since the attacks, according to hotel management at individual hotels there.

4. (U) The tourism sub-sector of business conferences, a strong driver of the service economy in Jordan, has received both cancellations and new bookings. The UN's World Intellectual Property Organization (WIPO) postponed a regional conference scheduled for Amman in early December, while the World Tourism Organization and the World Travel and Tourism Council have reportedly shifted executive conferences scheduled for early next year to Amman from parts of Europe in a show of support. Some security units of innovative pharmaceutical company members of PhRMA would not allow their personnel to travel to a PhRMA Euro-Med regional conference scheduled for Jordan; PhRMA moved the event to Dubai. Thuraya Hussein, General Manager of Lawrence Conferences and Seminar Services, reported to EconOff that conference cancellations are more the exception than the rule and that "most events are taking place."

5. (U) In the port town of Aqaba, the Jordan Times reported, cruise ships continue to dock, with "1,000 passengers docking the day after the attacks, an additional 1,600 scheduled to dock through the end of November, and 1,000 in December."

6. (U) In the aviation sector, an even more limited drop in numbers was reported. Royal Jordanian's (RJ) head of Passenger Services Mua'th Majali told EconOff of "a few cancellations" on flights from the US and Europe in the days following the attacks; one week after the bombings, however, Majali says RJ is operating at "full passenger loads on the Chicago-Amman and New York-Amman routes."

#### Financial Markets

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17. (C) The Amman Stock Exchange (ASE) opened on November 14, the first working day after the bombings, with a 1.5% drop in market capitalization followed by a quick rebound and a 2% gain the next day. Volume was heavy on the first day, but not alarmingly high since. The ASE's capitalization of \$25 billion can be broken down to approximately 25% government-owned, 32% Jordanian private sector, 33% non-Jordanian Arab institutional investors, and 10% non-Arab foreign investment. This mix favors a capital base stabilized by the government and supported by petrodollars invested in long-term markets such as real estate and telecommunications.

18. (C) Additionally, the Finance Ministry auctioned a six-month Treasury bill on November 14 at a 6.4% interest rate, more than one percentage point lower than the Treasury bills auctioned the month prior to the attacks. A higher interest rate would have signaled private-sector concern about Jordan's economic and political stability; the lower rate may be seen as strong confidence in the government. The lower rate may also be an indicator of heavy petrodollar liquidity in the capital market. The fact that private banks hold over 50% of their deposits in liquid assets such as government bonds and CDs further supports this possibility.

19. (SBU) Some skeptics have argued to Embassy officials that the financial market's resilience is not healthy, and is an indicator of GoJ interference in a sector that should be free of such influence. Henry Azzam, CEO of Amwal Invest, a prominent investment bank, characterized the financial market response as "beyond finance." He sensed "patriotism and not fundamentals is supporting the market." He also theorized that the Social Security Corporation had stepped in to support the stock market.

#### Investment & Trade

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10. (U) Major real estate developers continue to exude confidence in the market in Jordan with no plans to slow down construction. Sabih Al-Masry, plans for a \$500 million project in Aqaba comprising a resort, hotel, and residence are still on schedule, as are those for a resort planned to open at the Dead Sea in early 2006. Yousef Hayek, advisor to multi-billion dollar construction company Consolidated Contractors International, says "Construction in Jordan is booming and will continue to do so." The only impact is the potential "design re-engineering of security facilities" for some projects.

11. (U) An informal sampling of factory managers in Qualifying Industrial Zones - in which Jordanian-produced goods with Israeli content receive preferential access to US markets - said they have not seen any signs of changes in buyer behavior or in orders, which are for production into the first quarter of 2006. (Note: Any serious consequences of potential buyer wariness would not be seen for at least three months. End Note.)

#### Focus on Security

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12. (C) Most leaders - government and private sector - seem less concerned with a loss of business or a decline in the economy, and more focused on obtaining stronger physical security for their assets. Many of Post's contacts believe that Jordan has a looser standard on physical security checks of individuals and vehicles than is the case in neighboring Arab countries. The immediate addition of metal detectors and early vehicle checkpoints in Amman by most small and large businesses (hotels, restaurants, retail outlets) as well as at government buildings demonstrates a galvanized citizenry resolved to confront the security problem.

13. (C) A number of QIZ owner-developers are reviewing and enhancing their existing security arrangements in order to provide a secure supply chain for over \$1 billion in goods shipped to US ports annually. In the Kerak QIZ, the government estate manager placed additional personnel in the walled, gated compound and added an extra layer of security checks for vehicles and personnel. At the private Ad Dulayl QIZ, owner Jack Khayyat said that his personnel were now doing 360-degree checks on all vehicles entering the QIZ area, at the request of factory owners.

14. (C) COMMENT: While investor, government, and business leaders remain undeterred by the attacks, there is major concern about the impact of a second attack. Recent threats by Abu-Musab al-Zarqawi, al Qaida to further target tourist hotels, QIZs, embassies, and military bases augment this concern. The fear that another attack could come soon is driving the quick ramping up of physical security and the strong cooperation between the government and private sector. As leaders in both government and the private sector recognize, the impact of further attacks could weaken an

economy that relies so heavily on petrodollars.  
Additionally, if future attackers again were Iraqi, the  
political backlash against the large Iraqi community here  
could weaken one of the current props of Jordan,s economy.  
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